



GOLDIGIT ATOM-TECH HOLDINGS LIMITED

金澤超分子科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Interim Report **2005**

HIGHLIGHTS

Results

	Six months ended	
	30 June	
	2005	2004
	HK\$'000	HK\$'000
Turnover	1,384	18,152
(Loss) profit for the period	(8,759)	967
(Loss) earnings per share – Basic (HK cents)	(0.52)	0.06

Assets and Liabilities

	30 June	31 December
	2005	2004
	HK\$'000	HK\$'000
Total assets	240,556	248,520
Total liabilities	(5,063)	(4,268)
Total equity	<u>235,493</u>	<u>244,252</u>

- Recorded a turnover of HK\$1,384,000 for the six months ended 30 June 2005.
- Recorded a loss attributable to equity holders of HK\$8,759,000 for the six months ended 30 June 2005.
- Loss per share was approximately 0.52 HK cents.

UNAUDITED INTERIM RESULTS

The board (the “Board”) of directors (the “Directors”) of Goldigit Atom-tech Holdings Limited (the “Company”) announces the unaudited interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2005, together with the comparative figures for the corresponding period in 2004 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

For the six months ended 30 June 2005

		Six months ended	
		30 June	
	<i>Notes</i>	2005	2004
		HK\$'000	<i>HK\$'000</i>
Turnover	2	1,384	18,152
Cost of sales		<u>(1,494)</u>	<u>(9,369)</u>
Gross (loss) profit		(110)	8,783
Other operating income		1,058	819
Selling expenses		(2,831)	(2,733)
Administrative expenses		(6,776)	(4,914)
Research and development costs		<u>–</u>	<u>(141)</u>
(Loss) profit before taxation	4	(8,659)	1,814
Income tax	5	<u>(100)</u>	<u>(847)</u>
(Loss) profit for the period		<u>(8,759)</u>	<u>967</u>
Attributable to:			
Equity holders of the parent		<u>(8,759)</u>	<u>967</u>
Dividends	6	<u>–</u>	<u>–</u>
(Loss) earnings per share (HK cents)			
– Basic	7	<u>(0.52)</u>	<u>0.06</u>

CONDENSED CONSOLIDATED BALANCE SHEET*As at 30 June 2005 and 31 December 2004*

	<i>Notes</i>	30 June 2005 HK\$'000 (Unaudited)	31 December 2004 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment		44,842	46,634
Investment properties		46,607	46,607
Intangible assets		2,734	3,055
		<u>94,183</u>	<u>96,296</u>
Current assets			
Inventories		1,044	70
Other receivables, prepayments and deposits		3,197	1,108
Tax recoverable		188	188
Cash and bank balances		141,944	150,858
		<u>146,373</u>	<u>152,224</u>
Current liabilities			
Trade and other payables	8	1,801	1,801
Accruals		2,962	2,267
Tax payable		300	200
		<u>5,063</u>	<u>4,268</u>
Net current assets		<u>141,310</u>	<u>147,956</u>
NET ASSETS		<u>235,493</u>	<u>244,252</u>
Capital and reserves			
Share capital	9	84,993	84,993
Reserves		150,500	159,259
TOTAL EQUITY		<u>235,493</u>	<u>244,252</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2005

	Share capital	Share premium	Exchange reserve	Goodwill reserve	Special reserve	Statutory reserve fund	Accumulated profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2004	84,993	72,657	(36)	(193)	73	7,321	92,105	256,920
Profit for the period	-	-	-	-	-	-	967	967
At 30 June 2004	<u>84,993</u>	<u>72,657</u>	<u>(36)</u>	<u>(193)</u>	<u>73</u>	<u>7,321</u>	<u>93,072</u>	<u>257,887</u>
At 1 January 2005	84,993	72,657	(36)	(193)	73	7,321	79,437	244,252
Loss for the period	-	-	-	-	-	-	(8,759)	(8,759)
At 30 June 2005	<u>84,993</u>	<u>72,657</u>	<u>(36)</u>	<u>(193)</u>	<u>73</u>	<u>7,321</u>	<u>70,678</u>	<u>235,493</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)*For the six months ended 30 June 2005*

	Six months ended	
	30 June	
	2005	2004
	HK\$'000	HK\$'000
Net cash (used in) operating activities	(9,472)	(8,286)
Net cash from investing activities	558	319
Net (decrease) in cash and cash equivalents	(8,914)	(7,967)
Cash and cash equivalents at the beginning of period	150,858	156,477
Cash and cash equivalents at the end of the period represented by cash and bank balances	141,944	148,510

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited consolidated results of the Group have been prepared in accordance with accounting principles generally accepted in Hong Kong and the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (collectively the "Listing Rules"). They have been prepared under the historical cost convention. The unaudited consolidated results should be read in conjunction with the 2004 annual financial statements.

The Hong Kong Institute of Certified Public Accountants (the "HKICPA") has issued a number of new and revised Hong Kong Financial Reporting Standards ("HKFRS") and Hong Kong Accounting Standards ("HKAS") (herein collectively referred to as "HKFRSs") which are generally effective for accounting periods beginning on or after 1 January 2005. For the current year, the Group has adopted all of the HKFRSs that are relevant to its operations and effective for accounting period beginning on 1 January 2005. The adoption of these HKFRSs has had no material effect on how the results for the current or prior accounting periods are prepared except for certain presentations and disclosures of the financial statements. Accordingly, no prior period adjustment has been required.

The condensed financial statements for the six months ended 30 June 2005 have not been reviewed by the auditors but have been reviewed by the audit committee of the Company.

2. TURNOVER

Turnover represents the amounts received and receivable for goods sold to outside customers, less returns, allowances and sales tax during the period.

3. BUSINESS AND GEOGRAPHICAL SEGMENTS

(i) Business segments

For management purposes, the Group is currently organised into two operating divisions – development and distribution of solvent pesticides and property investment. These divisions are the basis on which the Group reports its primary segment information.

Segment information about these businesses for the six months ended 30 June 2005 and 2004 is presented below:

	Development and distribution of solvent pesticides		Property investment		Consolidation	
	2005	2004	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
INCOME STATEMENT						
Revenue	<u>1,641</u>	<u>18,452</u>	<u>500</u>	<u>500</u>	<u>2,141</u>	<u>18,952</u>
Segment results	<u>(4,833)</u>	<u>4,304</u>	<u>305</u>	<u>500</u>	<u>(4,528)</u>	<u>4,804</u>
Other operating income					301	18
Unallocated corporate expenses					<u>(4,432)</u>	<u>(3,008)</u>
(Loss) profit before taxation					<u>(8,659)</u>	<u>1,814</u>
Income tax					<u>(100)</u>	<u>(847)</u>
Net (loss) profit for the period					<u><u>(8,759)</u></u>	<u><u>967</u></u>
OTHER INFORMATION						
Depreciation of property, plant and equipment	<u>1,793</u>	<u>2,282</u>	<u>-</u>	<u>-</u>	<u>1,793</u>	<u>2,282</u>
Amortisation of intangible assets	<u>321</u>	<u>470</u>	<u>-</u>	<u>-</u>	<u>321</u>	<u>470</u>

(ii) Geographical segments

Over 90% of the consolidated revenue of the Group is derived from the People's Republic of China (the "PRC"), an analysis of the turnover and trading results of the Group by geographical location of market is not presented.

4. (LOSS) PROFIT BEFORE TAXATION

(Loss) profit before taxation has been arrived at after charging:

	Six months ended 30 June	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation of property, plant and equipment	1,793	2,282
Amortisation of intangible assets included in cost of sales	321	470
	<hr/>	<hr/>
Total depreciation and amortization	2,114	2,752
	<hr/>	<hr/>
Operating lease charges	81	79
Staff costs:		
Directors' emoluments	1,169	821
Staff costs excluding directors' emoluments	1,653	1,564
Retirement benefit scheme contributions, excluding amount included in directors' emoluments	79	87
	<hr/>	<hr/>
	2,901	2,472

5. INCOME TAX**Six months ended 30 June**

2005	2004
<i>HK\$'000</i>	<i>HK\$'000</i>

The charge comprises:

Current tax

The PRC – income tax

100

847

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from, Hong Kong.

Income tax on profits from the PRC has been provided based on the prevailing tax rates applicable to the respective companies.

6. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2005 (six months ended 30 June 2004: Nil).

7. (LOSS) EARNINGS PER SHARE

The calculation of the (loss) earnings per share for the period is based on the loss for the period of HK\$8,759,000 (2004: profit of HK\$967,000) and on the 1,699,860,000 (2004: 1,699,860,000) shares in issue. No diluted (loss) earnings per share has been presented as there were no potential ordinary shares during the period.

8. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade and other payables:

	30 June 2005 HK\$'000	31 December 2004 HK\$'000
0 to 180 days	–	–
181 to 365 days	–	1,284
Over 365 days	1,801	517
	<u>1,801</u>	<u>1,801</u>

9. SHARE CAPITAL

	No. of shares	HK\$'000
Shares of HK\$0.05 each		
Authorised:		
At 1 January 2005 and 30 June 2005	<u>10,000,000,000</u>	<u>500,000</u>
Issued and fully paid		
At 1 January, 2005 and 30 June 2005	<u>1,699,860,000</u>	<u>84,993</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Results of operations

The Group's turnover was HK\$1.4 million for the six months ended 30 June 2005, a decrease of HK\$16.8 million or 92% as compared to HK\$18.2 million of the corresponding period in 2004. The decrease in turnover was the result of the intense market competition and an overall decrease in demand for the Group's products.

Gross loss was HK\$0.1 million decreased by HK\$8.9 million as compared to gross profit of HK\$8.8 million of the corresponding period in 2004. Gross loss as a percentage of turnover was (8%) while gross profit margin of the corresponding period in 2004 was 48%. This was mainly attributed to the significant decrease of sale in the current period.

Operating expenses increased by HK\$1.8 million from HK\$7.8 million in 2004 to HK\$9.6 million in 2005 due to an increase in administrative expenses of HK\$1.8 million. Increase in administrative expenses was attributable to additional professional and other expenses incurred by the Company in relation to the discloseable transaction and general offer for the shares of the Company during the period, as well as higher staff costs due to payment in lieu of notice to executive directors and other staff in relation to changes in the composition of the Board of the Company during the period.

Other income increased by HK\$0.2 million to HK\$1.0 million in 2005 from HK\$0.8 million in 2004. Other income was mainly represented by rental income received from its investment properties and interest income from fixed deposits in banks.

Business review

In the first half of 2005, the Group continued to face severe operating environment. The Group's results suffered from decreased sales revenue of its products. The Group recorded a turnover of HK\$1.4 million, a decrease of 92% compared to the last corresponding period. The loss was HK\$8.8 million, compared with a profit of HK\$1.0 million in the last corresponding period. The decrease in sale was caused by the increased competition and the decrease in demand for the Group's products.

The Group will continue its existing business on the sales of chemical pesticides in the PRC. Please refer to the section headed “Outlook” for more information about the future development of the Group’s business.

Liquidity, financial resources and capital structure

Liquidity and financial resources

As at 30 June 2005, the Group’s working capital was HK\$141.3 million, including cash and bank balances of HK\$141.9 million. The Group did not have any bank borrowings during the period under review.

The Group financed its operations entirely with its internal resources. As at 30 June 2005, the Group’s shareholders’ funds were HK\$235.5 million. The Directors believe that the Group remained in a healthy and liquidity position as at 30 June 2005, and that the Group has sufficient fund to meet its present requirements.

Capital structure

There was no change in the capital structure of the Company during the period.

Material acquisitions and disposals of investments

There were neither material acquisitions nor disposals of subsidiaries and affiliated companies during the period.

Significant investment

In March 2005, the Group entered into an agreement with an independent third party to acquire 20% of the issued and paid up capital of an investment holding company at a consideration of HK\$45 million, subject to adjustment. The sole asset of the investee company is the ownership of all issued and paid up capital in an enterprise established in the PRC engaged in the sales and research and development of new bio-chemical pharmaceutical products in the PRC as well as performing synthetic technological process studies.

The acquisition was subject to certain conditions, which included the satisfaction of the due diligence exercise performed in respect of the investee company and the PRC enterprise. In April 2005, the transaction was cancelled due to the conditions precedent under the agreement having not been fully satisfied.

Save as disclosed above, there were no significant investments or capital expenditures during the period. At 30 June 2005, the Group had no material commitments for future capital expenditures.

Charges on the Group's assets

The Group had no charges on its assets as at 30 June 2005.

Contingent liabilities

The Group had no contingent liabilities as at 30 June 2005.

Indebtedness

Borrowings and gearing ratio

As at 30 June 2005, the Group had no bank borrowings outstanding and as a result gearing ratio, measured by total borrowings to the shareholders' funds, was zero.

Foreign exchange exposure

The Directors believe that the Group has no material foreign exchange exposure because most of the Group's income and expenses as well as assets and liabilities are denominated in Renminbi and Hong Kong dollars.

Employee information

As at 30 June 2005, the Group employed 52 employees (2004: 55). The total staff costs, including directors' emoluments, was HK\$2.9 million for the period (2004: HK\$2.5 million). The Group's employees were remunerated according to the nature of their job duties and the market trends, with discretionary bonuses, benefits of the retirement scheme, share option scheme and necessary training.

Outlook

With the completion of the sale and purchase agreement announced jointly by the Company and Cathorne Holdings Limited on 24 May 2005, the controlling shareholder of the Company was changed. Following the change in control, the existing Board consisting of Mr. Kataoka Akinobu, Mr. Matsushima Isao, Mr. Oe Tadayuki and Mr. Ono Masashi as executive Directors, and Ms. Chiu Ching, Katie, Ms. Hin Yat Ha and Mr. Sun Juyi as independent non-executive Directors was appointed.

On 12 September 2005, the Company jointly announced (the "Joint Announcement") with i-cf International Limited ("i-cf") a further change in control and the mandatory unconditional cash offer by i-cf for all shares of the Company (other than those already owned by i-cf and parties acting in concert with it). i-cf, Inc., now the Company's ultimate holding company, has stated in the Joint Announcement that it intends to utilise the Company as its base for developing its advertising business in Asia outside Japan, in particular the PRC. In future, it is intended that the Company will serve as the platform for the development of i-cf, Inc. and its subsidiaries' businesses in the PRC. i-cf intends to nominate Messrs Kawanishi Sosuke, Nakano Osamu and Nanri Kiyohisa as executive Directors and the effective date of such appointment will be the date immediately after the offer document has been posted by i-cf as required by the Hong Kong Code on Takeovers and Mergers.

It was further stated in the Joint Announcement that i-cf will conduct a review of the business operations and financial position of the Group with a view to formulating a business plan and strategy suited for i-cf, Inc., its subsidiaries and the Group. Subject to the result of the review, i-cf currently has no intention to re-deploy the employees or the fixed assets of the Group other than in its ordinary course of business.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2005, none of the Directors and the chief executive of the Company or any of their respective associates (as defined in the Listing Rules) had any interest or short position in any shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of Securities and Futures Ordinance (the "SFO")) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he was taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code for Securities Transactions") set forth in Appendix 10 to the Listing Rules.

INTERESTS OF THE DIRECTORS

Save that the Company had paid to each of Mr. Lao Seng Peng, Mr. Cai Wei Min, Mr. Yeh Tung Ming, and Mr. Wong Kin Ping, payment in lieu of notice equal to six calendar months' salary upon each of such director tendering his resignation on 23 May 2005, there was no agreement, arrangement, understanding or benefit which was given to any Director as compensation for loss of office or otherwise during the period. The effective date of the aforementioned resignations was 1 July 2005.

On 23 May 2005, Mr. Lao Seng Peng (“Mr. Lao”) and Best Today Investments Limited (“Best Today”), a company wholly owned by Mr. Lao, Cathorne Holdings Limited and Suiko Enterprise Co. Ltd. (the “Purchasers”) had entered into a sale and purchase agreement pursuant to which Best Today sold an aggregate of 1,169,479,600 shares to the Purchasers, representing approximately 68.8% of the then entire issued share capital of the Company, and a tax indemnity was given by Best Today in favor of the Company and the Purchasers.

Other than as disclosed above, there was no contract of significance to which the Company, its holding company, or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the period.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

At no time during the period was the Company or any of its subsidiaries a party to any arrangements to enable the Directors and chief executive to acquire benefits by means of the acquisition of shares in, or debentures, of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2005, so far as was known to the Directors and chief executive of the Company, the persons, other than a Director or chief executive of the Company, who had an interest or a short position in the shares and underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who is directly or indirectly, interested in ten per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company were as follows:

Long positions in shares and underlying shares of the Company:

No.	Name of Shareholder	Capacity/nature of interest	Number of shares held	Percentage of the total issued share capital (%)
1.	Suiko Enterprise Co., Ltd. (Note 1)	Beneficiary owner	867,000,000	51.0
2.	Mr. Suzuki Masakazu (Note 2)	Interest of a controlled corporation	867,000,000	51.0
3.	Cathorne Holdings Limited	Beneficiary owner	302,503,600	17.8
4.	Mr. Kawakami Yatsumi (Note 3)	Interest of a controlled corporation	302,503,600	17.8
5.	Catot Limited (Note 4)	Nominee	302,503,600	17.8
6.	Newcorp Limited (Note 5)	Interest of a controlled corporation	302,503,600	17.8
7.	Newcorp Holdings Limited (Note 5)	Interest of a controlled corporation	302,503,600	17.8

Notes:

- On 25 August 2005, Suiko Enterprise Co., Ltd. has become a wholly-owned subsidiary of i-cf, Inc..
- Mr. Suzuki Masakazu wholly owns all the shares in Suiko Enterprise Co., Ltd and is therefore deemed to have an interest in 867,000,000 shares under the SFO.
- Mr. Kawakami Yatsumi wholly owns all beneficial interest in the shares in Cathorne Holdings Limited and is therefore deemed to have an interest in 302,503,600 shares under the SFO.

4. Catot Limited is deemed to be interested in 302,503,600 Shares under the SFO because it holds all the shares in Cathorne Holdings Limited as a nominee for Mr. Kawakami Yatsumi.
5. Catot Limited is a wholly-owned subsidiary of Newcorp Limited which in turn is a wholly-owned subsidiary of and Newcorp Holdings Limited.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2005, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

SHARE OPTION SCHEME

No option has been granted by the Company since the adoption of the Share Option Scheme.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied throughout the six months ended 30 June 2005 with the applicable provisions of the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules, except that:

Under the code provisions A.2.1 of the Code, the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. During the six months ended 30 June 2005, the roles of both the Chairman and Chief Executive Officer were performed by Mr. Lao until the effective date of his resignation on 1 July 2005. As the Board composition will be changed and new directors will be nominated by i-cf, Inc., the Board will separate the roles of Chairman and Chief Executive Officer upon identification of suitable candidates to take up the posts.

Under the code provisions A.4.2 of the Code, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. According to the existing articles of association of the Company, one-third of the directors (except chairman and/or managing director) are subject to retirement by rotation at each annual general meeting. The Board proposes to amend the articles of association of the Company in the next general meeting so that the chairman and/or managing director is subject to retirement by rotation.

Under the code provisions B.1.1 of the Code, listed issuers should establish a remuneration committee. The Board is now in the course of setting up a remuneration committee.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Board of the Company has adopted the Model Code for Securities Transactions as the Group's code of conduct regarding Directors' securities transactions. Having made specific enquiry of all the Directors, during the six months ended 30 June 2005, the Directors of the Company have complied with the required standards as set out in the Model Code for Securities Transactions.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors, namely, Ms. Chiu Ching, Katie, Ms. Hin Yat Ha and Mr. Sun Juyi.

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discuss internal control and financial reporting matters including a review of the unaudited consolidated results for the six months ended 30 June 2005.

By order of the Board
Goldigit Atom-tech Holdings Limited
Matsushima Isao
Executive Director and President

26 September 2005

As at the date of this report, the Board currently consists of four executive Directors, namely Mr. Kataoka Akinobu, Mr. Matsushima Isao, Mr. Oe Tadayuki and Mr. Ono Masashi, and three independent non-executive Directors, namely, Ms. Chiu Ching, Katie, Ms. Hin Yat Ha and Mr. Sun Juyi.